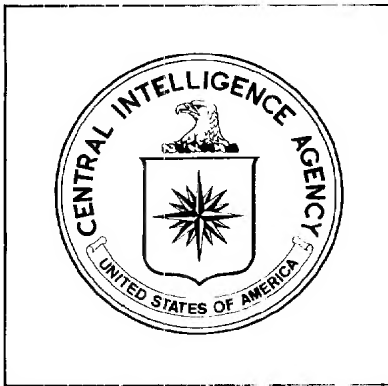


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## STAFF NOTES:

# Latin American Trends

DIA and DOS review(s)  
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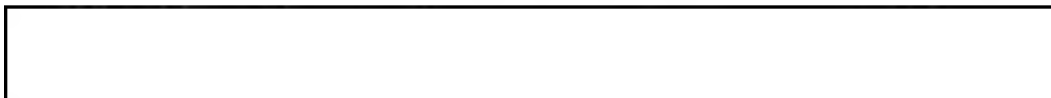
## LATIN AMERICAN TRENDS

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Peru: The Marcona Affair Enters a New Phase

Despite signals from President Morales Bermudez that he desires a quick and amicable settlement of the Marcona compensation dispute, the latest Peruvian maneuvers indicate that the government feels bound by many of the encumbrances that slowed similar negotiations during former president Velasco's administration. Last Friday, the government announced publicly that "conversations" with Marcona had terminated, thereby bringing to an end the indecisive first phase of the negotiating process. Marcona Mining Company, the large, US-owned iron-ore complex, was expropriated by Velasco last July, and preliminary talks between company officials and government negotiators made virtually no progress prior to Velasco's ouster on August 29.

Following Morales Bermudez' assumption of the presidency, high-level government spokesmen, including the new President, told US Embassy officers and Marcona officials that resolution of the compensation dispute had high priority.

The continued influence of radical, anti-American military and, in a few cases civilian, advisers is working to slow the process, however. In addition, the government apparently feels itself under pressure from the news media not to "give in" to "Yankee" pressure. Although Morales Bermudez ideologically is much less radical than Velasco, the President at this point is still consolidating his position and appears unwilling to risk a serious intra-government split over this issue. He is already having to cope with serious labor problems and recalcitrant leftist unions probably would seize on a government-Marcona settlement as further proof that the regime lacks a true commitment to the Peruvian workers' cause.

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In addition to these domestic political factors, there is an apparently deep-seated hesitancy on the part of Peru's military leaders to deal--much less compromise--with private US businesses. The feeling that it is somehow demeaning for a revolutionary government to sit down and bargain with multi-national corporations undoubtedly has been reinforced as a result of the relatively satisfactory "Greene agreement" reached with the US government in 1974 after protracted talks.

Thus, the government's announcement last Friday that "conversations" with Marcona had broken down appears aimed at moving the discussions onto the government-to-government level. From Lima's point of view, this will not only dispel the appearance of official dealings with "imperialistic" trans-national corporations, but should ease the psychological burden of eventually reaching an indirect agreement with the company. According to the embassy, there may also have been a practical, economic reason for the public breaking of talks with Marcona: the company will no longer be able to tell its buyers that it is negotiating with the government and that they should therefore not yet agree to any new shipping agreements with the government. Peru may hope that these buyers will now be more receptive to breaking their sales and shipping contacts with Marcona.

Although concrete government-to-government negotiations may soon begin, and the chances for a satisfactory solution are better now than under Velasco, there is little evidence from which to conclude that Morales Bermudez will be able to free the government from the bureaucratic and ideological restraints that consistently have prevented quick resolution of economic disputes between Peru and the US.

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Guatemala-Belize: A Counter Action

Guatemalan President Laugerud, convinced that the British are undertaking a major military buildup in Belize, has said he is going to order more troops to Poptun, an army base 15 miles from the Belize border.

This development came three days after Laugerud received reports of the arrival in Belize of British helicopters and assault boats on October 12. The reports he received of the reinforcement were exaggerated, but efforts by the US Embassy to set him straight did not allay his concern. Said to be disturbed and under pressure from his military officers to take countering action, Laugerud told the US ambassador last week that he was doing everything he could to avoid a conflict, although the British were forcing him to react. "If the British leave us with no alternative to force, we will use it," he said. Although there may be pressure from below, Laugerud certainly sees some advantage in describing a dire situation. He would like the US to mediate the dispute--in Guatemala's favor, of course.

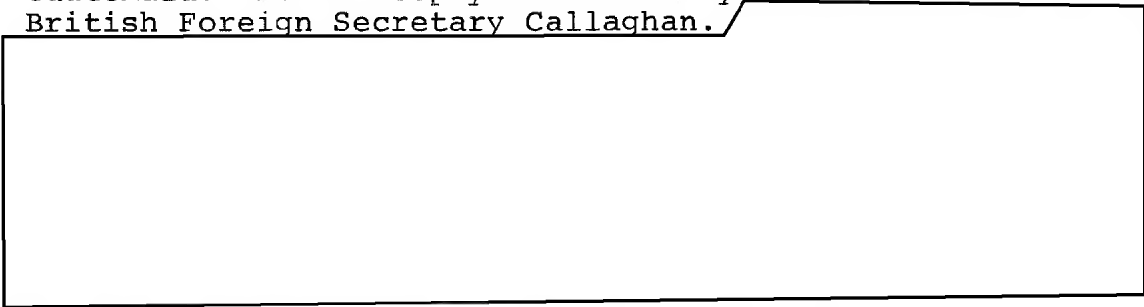
Our defense attache visited Poptun base on October 17 and found that troop strength there had been increased to about 500 troops, including a paratroop battalion. The normal force there is about 350. The additional troops that Laugerud presumably will send most likely had not yet arrived. Much smaller contingents of soldiers are located at three other camps near Poptun. There was a noticeable lack of transport and ammunition at Poptun, but the defense attache noted that this would not prevent moving on foot over the Belize border.

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Laugerud is also concerned about Britain's intentions in the UN. He fears the UK is going to push through a resolution that will be unacceptable to Guatemala. He is deeply disturbed by the attitude of British Foreign Secretary Callaghan.



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How this sentiment will play out at the UN is not yet clear. This week, the UK was circulating a draft resolution among Caribbean UN delegations and was to show it to the Guatemalans at the same time. Guatemalan officials have not been consulted on the language, leaving them little chance to influence the wording. What the British are apparently hoping for is a resolution that the Guatemalans can acquiesce in at the most. Some mention of future negotiations on Belizean independence will be made, but London's UN representative has told us that there is "no hope in hell" of a resolution to which the Guatemalans could completely agree.



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Panama: Cuba Visit Reflects Torrijos Strategy, Problems

This week's visit to Cuba by an official Panamanian military delegation--the first since relations were renewed in August 1974--is part of Torrijos' continuing effort to demonstrate his Third Worldish independence and to pressure the US into a more forthcoming treaty stance.

The trip, highlighting revolutionary solidarity, shores up Torrijos' left flank. An editorial on the visit by Danilo Caballero, the leading commentator of semi-official Radio Libertad, stressed that this was a sovereign decision by a revolutionary government; this slant should help soothe some of the ultranationalists who have been critical of Torrijos "caricature" of a revolution. Torrijos is due to travel to Cuba at the end of the year.

Although Lt. Col. Armando Contreras, National Guard G-3 and the leader of the delegation, publicly noted that he would "become acquainted with" the armaments of Cuba's Revolutionary Armed Forces, the trip almost certainly does not presage any deal for Soviet-made arms.

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Torrijos calculates that any concern raised in the US by the trip is tolerable and could well work to his advantage in the treaty talks. The Panamanian leader similarly recognizes, however, that any actual arms deal would provoke such a hostile reaction from some US quarters that it would severely dim prospects for successful negotiations.

Torrijos is moving cautiously, even with uncertainty, toward his embrace of the Third World--and always with an eye on the treaty negotiations. Last year, he waffled considerably before finally establishing relations

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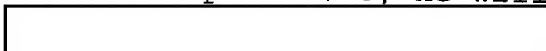
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with Cuba. His decision this year to join the non-aligned was also marked by initial hesitation. A Chinese trade mission presently visiting Panama has been accorded relatively low-key treatment--there was no press coverage at all for the first five days of the two-week stay. Similarly, the press has ignored the arrival of the chairman of the London-based Russian bank Moscow-Narodny Ltd in Panama to investigate the possibility of establishing an office in that leading international banking center.

Torrijos has to pick his way carefully as he faces conflicting international and domestic pressures. At home, as he offers balm to the sometimes volatile left, he remains well aware of the concerns of the still largely distrustful business community. With regard to the US, he has to choose moves that will attract further international support for Panama and so put pressure on the US but avoid entrenching conservative US opposition to a treaty. So far, Torrijos has moved relatively slowly and carefully. He is signalling, however, that unless he begins to receive demonstrable indications of a more forthcoming US attitude that he can hold up at home, he will accelerate his own efforts.



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Dominican Republic: New Perspective on Cuba

Even the Dominican Republic, which in 1959 became the first Latin American country to break relations with Cuba and has long feared Castro's export of the revolution, may be getting ready to join the movement toward improved relations.

On October 12 a five-man delegation of Cuban Communist party officials--including Osvaldo Cardenas, an important figure in the Central Committee's American department--arrived in Santo Domingo at the invitation of the "Committee of Friends of Cuba." It is the first visit by a party delegation since relations were broken. Although the visit is unofficial, the Cubans could hardly have entered the country without President Balaguer's approval. Other indicators include a visit by a cabinet subsecretary to Havana for an international conference and the publication of a paper by the government's Center for Export Promotion calling for economic contacts with Cuba.

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The government's handling this month of the amateurish guerrilla effort that began on June 1 when three Puerto Ricans landed three Dominicans on the coast fits into this pattern. The government, after quickly capturing the Puerto Ricans, originally charged that the three men they had brought were guerrillas from Cuba. This produced widespread suspicion that the government had concocted the story to cover a leftist roundup, but this month police captured two of the guerrillas and later killed the third. All three men had spent considerable time in Cuba. In addition, the operation was apparently backed by the Puerto Rican Socialist Party, which is closely linked to Havana.

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Significantly, however, despite several press conferences with the captured guerrillas, there has been no further highlighting of a Cuban connection.

The warming trend is likely to continue, although at a cautious pace. Like most of its neighbors, the Dominican Republic probably sees little future in a continued hostile stance that could eventually leave it isolated in the Caribbean.

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Colombia: Praise for the President

President Alfonso Lopez Michelsen returned home from his state visit to Washington last month a politically strengthened man. No one, neither friend nor foe, could seriously fault Lopez' management of the visit's two principal themes--his calling attention to Colombia's general aspirations in its relations with the US, and his broader advocacy of other Latin American causes.

Domestically, Lopez' stock has been buoyed, erasing some of the negative effect of the state of siege he was forced to declare in June to combat guerrillas and to help contend with demonstrations by students and the poor against various economic dislocations. The President has hardly regained the impressive mandate he enjoyed after his overwhelming election victory last year or during the early months of his tenure, but he has apparently rebounded somewhat from his summer ebb, when army criticism led to the dismissal of several high-ranking officers and stirred very un-Colombian thoughts of military intervention in politics.

Lopez' statesman image at home benefited as well from his injection of other Latin nations' problems into his talks in Washington, which also moved him another step toward the Latin American leadership role to which he aspires. He took particular pains to defend the Panamanian position in the ongoing canal talks, aware no doubt that he or a successor might some day need Panama's re-endorsement of Colombia's 1903 guarantee of free naval transit rights through the canal.

Whether Lopez can ride the crest of popular approval will depend almost entirely on domestic circumstances over which he has little control. His most

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serious challenge remains security, principally against leftist guerrillas. In addition, some right-wing counter-terrorism may be appearing. This could pose Lopez the difficult choice between turning the military against what are presumably its over-exuberant conservative allies and looking the other way, perhaps hoping that right-wing terrorists, unlike the military and civilian security services, might make some headway against the country's traditional leftist guerrillas.

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ORIT Delays Reorganization

Latin American labor leaders failed to produce a plan for revitalizing the inter-American labor system, ORIT, in time for the World Congress of the International Confederation of Free Trade Unions (ICFTU) now being held in Mexico. Still, they are angrily resisting attempts by other ICFTU affiliates to impose remedies on the ailing ORIT and have won approval to continue their own efforts to reorganize. The subject will be addressed at an extraordinary congress next May, probably in Caracas.

European labor officials have attacked ORIT for its ties to the AFL-CIO, accusing the Latin trade unionists of falling under US domination and failing to represent the interests of Latin workers. Several Scandinavian unions were threatening to pull out of the ICFTU if ORIT were not disbanded and replaced by a new, Latin-only organization. ICFTU affiliates have been impatient with ORIT's structural and financial disarray in recent years, annoyed at the Latins' acceptance of AFL-CIO's leading role in ORIT and its disassociation from ICFTU, and disgusted with ORIT's failure to condemn the repression of unionism in Chile.

For their part, the Latin labor representatives remain divided on many internal ORIT matters, but they have stood solidly together in bitter opposition to interference from outside the region. Another, and relatively new, point of agreement is to keep the link with US labor, which provides much needed financial assistance. Beyond that, it is difficult to find any practical or ideological matter that unites Latin American labor.

As a regional forum, ORIT is rife with peculiarities. Two of the most influential affiliates have

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almost nothing in common: Venezuelan labor, fiercely independent, operates in a truly competitive political environment, while Mexican labor is a captive of a highly controlled government system. Argentina, which has the strongest trade union movement in Latin America, does not participate in ORIT, which it too regards as US-influenced. ORIT's general secretary is a Paraguayan with no constituency of his own. The other groups in ICFTU see little to give them confidence that the Latins will be able to work out their own problems, but they have backed off for now, in the face of vehement Latin insistence. If the Latins try to prolong their re-organization beyond May, the ICFTU will probably make a stronger effort to intrude.

Meanwhile, the ICFTU congress, which opened on October 19, has departed from its agenda and become an angry forum for a different kind of attack on US labor. Series of speakers have condemned the US Government decision to pull out of the International Labor Organization (ILO), accusing the administration of selling out to the AFL-CIO and the AFL-CIO of abandoning ILO to the Communists. An ILO official had earlier warned the congress of the political risks and disservice to labor involved in using the organization for the "wrong purposes." Other speakers acknowledged that ILO's recognition of the Palestinian Liberation Organization and other controversial political positions posed a problem, but urged the US to "stay in and fight."

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